Hurricane Katrina and the Resulting Green Standard for Emergency Situations

What Occurred And Where We Go From Here

Manager's Internal Control Program Conference - 2005

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“It’s not just a job...”

THIS JOB HAS TAKEN MY DIGNITY, MY SELF-ESTEEM, MY CREATIVITY AND MY PRECIOUS TIME ON THIS EARTH.
YOU'VE TAKEN ALL I HAVE! THERE'S NOTHING LEFT TO GIVE!!!
THE BLOOD DRIVE IS NEXT WEEK. THIS YEAR IT'S MANDATORY... AND A THREE-PINT MINIMUM.
J. Adams
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11-7

Where It All Started

- Thursday, September 15, 3:58 pm tasker from OMB
  - Internal Controls for Katrina Spending
    - Review the framework and standards and respond with how your organization is meeting or plans to meet (and by when) each item under the Green Standards. In addition, attach any materials (e.g., documents, lists) that demonstrate that these standards are being met. For reports, name the reports (as opposed to forwarding the actual documents).
- Deadline – CoB Friday, September 16

Template for Financial Controls

Initiative objectives: transactions are authorized and valid, we get what we contracted for, and problems are prevented (versus problems uncovered).		
Internal Control Areas	**Internal Control Environment Needs**	**Green Standards**
1. <u>Risk Assessment</u> The internal and external risks that prevent the organization from meeting its objectives.	• High risk areas are identified. • Stronger oversight is applied to high risk areas.	• Prioritized list of risk areas • Oversight updated, as needed, to reflect risk priorities
1. <u>Monitoring</u> The periodic reviews, reconciliations or comparisons of data.	• Internal and compensating controls are identified. • Internal and compensating controls are in place. • Ongoing monitoring, testing, and verification underway. • Corrective actions taken by updating internal and compensating controls based on the results of monitoring efforts.	• List of internal compensating controls • List of reports needed to monitor ongoing activities • Specialized reports to inform on activity outliers • Controls updated, as needed, to reflect findings from monitoring activities
1. <u>Control Activities</u> The policies, procedures and mechanisms in place to help ensure that agency objectives are met.	• Documented polices and procedures exist to direct efforts. • Knowledge of applicable governing laws, regulations or standards as well as changes to these governance documents. • Knowledge of timelines when governance practices are valid.	• Operating policies and procedures readily available • List of changes to normal operating policies and procedures and their end date
1. <u>Control Environment</u> The organizational structure and culture created by management and employees to sustain organizational support for effective internal control.	• Personnel (e.g., full-time, part-time, new, temporary) participating in current efforts are known. • Knowledge and understanding of operating environment (e.g., centralized or decentralized) where personnel are working. • Personnel are aware of polices and procedures that guide efforts. • Organizational structure, with clear lines of authority, is in place.	• Clear policies, procedures, and training to guide personnel activity • Formalized organization structure with clear lines of authority • Mechanisms to adapt to and communicate changes rapidly
1. <u>Information and Communication</u> The communication of relevant, reliable, and timely information to internal and external individuals.	• Participants (e.g., federal, state, local, private sector) in current efforts are known. • Guidance, policies or procedures exist to direct activities for federal personnel when coordinating with stakeholders (i.e., internal and external). • Participants (e.g., federal, state, local, private sector) understand their responsibilities	• List of key personnel for contact at participating organizations • List of, and access to, critical guidance, polices and procedures • List of critical elements (e.g.

Short Suspense

One day my Boss asked me to submit a status report to him concerning the project I was working on. I asked him if tomorrow would be soon enough. He said “If I wanted it tomorrow, I would have waited until tomorrow to ask for it!” (New business manager, Hallmark Greeting Cards.)

Reprieve and Subsequent Actions

- Friday around noon – stay of execution OMB extended deadline to CoB Monday
- Drafted Comptroller memo on “Internal Controls for Hurricane Katrina Procurement and Spending” referencing Green Standards
- Continued drafting DoD response to OMB

Response to OMB

Risk Assessment

- Spending on reimbursable FEMA mission assignments exceeds authorization granted.

Monitoring

- Defense Contract Audit Agency assigned contract auditors to assist the Corps of Engineers disaster relief contracting teams during contract writing.

Control Activities

- The FM-K working group developed policies and procedures for funds reimbursement for DoD actions in support of FEMA.

Response sent Tuesday 9:24 am

New Tasker from OMB

- Wednesday, September 21, 7:18 pm
  - About half of the stewardship plans submitted are considered inadequate.
  - Financial management and procurement operations are not thinking about where there are risks.
  - To help them with their thinking and planning, we are sending them more detailed planning guidance this evening.
- Deadline – Monday, September 26, 4 pm

Appreciate the Information

We recently received a memo from senior management saying: “This is to inform you that a memo will be issued today regarding the subject mentioned above.” (Microsoft, Legal Affairs Division)

Amplifying Guidance

- OMB provided a template to assist agencies in reporting on the internal control framework that was distributed the prior week.
- Agencies should report control gaps related to financial transactions. Where control gaps are identified, corrective actions for addressing these gaps should be provided as an attachment to the template.
- Contracting elements of procurement transactions should not be reported in the template.

Katrina Stewardship Reporting Financial Control Template

Control Objectives: Transactions are valid and authorized, we buy it right, we get what we contracted for, and problems are prevented (versus problems uncovered).

Program Area / Mission Assignment	**Transaction Type** (e.g., Financial Reporting, Funds Management, Eligibility Determination, Grants Management, Reimbursable Activity, Property and Inventory Management, Credit Program Management, Human Resource Management)	**Risk Assessment: Control Risk Identified**	**Control Activities: Alternative / Compensating Controls in Place** (e.g., control gaps identified/addressed such as resources added)	**Monitoring to Validate Control Effectiveness**
• *Food Stamps*	• *Issuance of Cash Benefit / Eligibility Determination*	• *Unable to verify income level of recipient*	• *Time limit on expenditure of benefit in the absence of income information* • *Verify residency in major disaster area* • *Increased sample size in*	• *Monitor and test eligibility certification / determination process* • *Sample and report on high risk recipients (i.e., no income verification)*

With a Clear Vision in Mind…

We are endeavorily determined to promote constant attention on current procedures of transacting business focusing emphasis on innovative ways to better, if not supersede, the expectations of quality! (Lucent Technologies)

DoD Response

Program Area / Mission Assignment	Transaction Type	Risk Assessment: Control Risk Identified	Control Activities: Alternative/ Compensating Controls in Place	Monitoring to Validate Control Effectiveness
• *Cash Disbursing*	• *Cashing of Personal Checks*	• *Loss of financial institutions in the area may lead unauthorized personnel to try and cash personal checks at DoD facilities, leaving Disbursing Agents liable for "bad" checks*	• *Restrictive list published of who is authorized to cash personal checks* • *Proper identification required* • *Individual must sign a form agreeing to immediate payroll deduction if check does not clear* • *Daily dollar amount limit on checks an individual may cash*	• *Special weekly reporting procedures have been implemented*
• *Payroll*	• *Entitlements Delivery*	• *Loss of financial institutions in the area may deny recipients of DoD entitlements access to funds*	• *Increase cash holding authority for Disbursing Clerks in affected area* • *Authorize casual pay for affected individuals*	• *Collect and report daily metrics on customer call center, held checks and EFT returns*

Mission Accomplished?

- OMB representative stated DoD was the only agency that demonstrated by its submission an understanding of the tasking.

- More work yet to be done.